

# Washington State Penalty Reduction Program *for Marketplace Fairness*

## What is the Marketplace Fairness Penalty Reduction Program?

Businesses that register in Washington State **by June 30, 2018** through the Marketplace Fairness Penalty Reduction Program may receive a reduction of some penalties.

The program encourages unregistered businesses to comply with Washington tax laws and to voluntarily register and pay any prior tax obligations.

## Benefits

Applying for the program by **June 30, 2018** will provide several advantages that are not available if the Department discovers you during an audit or investigation:

- **Reduced penalties (up to 39%) that include:**
  - 5 percent assessment penalty for substantially underpaid tax;
  - 5 percent unregistered penalty; and
  - 29 percent late payment of a return penalty.
- **Reduced “look-back” period**
  - Instead of seven calendar years plus the current year, your look back period may be reduced to four calendar years plus the current year

*Please note:* you will still pay taxes owed including interest.

## Washington State Tax obligations for businesses

You may have Washington State tax obligations if you meet *any* of the following criteria:

<b>1 - Physical Nexus</b> (B&O Tax and Sales/Use Tax)	<b>2 - Economic Nexus</b> (B&O Tax)	<b>3 - Receipts Threshold</b> (Election required to collect Sales Tax or do Use Tax notice & reporting)
Business with physical presence in WA such as having property, employees, or a third party representative in the state.	Threshold for gross receipts into WA: \$267,000 (2017) \$285,000 (2018)	\$10,000 in retail sales sourced to WA in current or previous year
	<i>Or...</i>	
	25% of gross annual receipts into WA, regardless of total	

## Who is eligible?

To qualify for voluntary disclosure benefits you must have:

- Never registered with or reported taxes to the Department
- Never been contacted by the Department for enforcement purposes\*
- Not engaged in evasion or misrepresentation in reporting tax liabilities

If you have collected but not sent in retail sales tax, the look-back period is unlimited and any penalty reductions may be adjusted.

\*Note: If you have already been in contact with the Department you may be eligible to receive a reduction in penalties, even if your business is already registered. **By June 30, 2018**, contact the Department employee who has previously communicated with you for more information.

## Application process

In order to participate in the program, you must:

1. Submit an [online application](#) and write **“Applying through the Marketplace Fairness Penalty Reduction Program”** in the comment section;
2. Disclose your identity within 15 days of applying and *no later than* June 30, 2018 (if not shared during application process);
3. If application is approved, sign and return Voluntary Disclosure Agreement within 30 days of applying;
4. [Register your business](#) with the State and submit additional documentation as requested;
5. Pay invoice in full per the agreement; and
6. Remain in compliance with all Washington state tax obligations.

## Anonymity

If you choose to apply anonymously, you must disclose your business identity within 15 calendar days of the application date, and no later than June 30, 2018. You are afforded protection from discovery by the Department for this period of time only.

## Related and affiliated entities

You must file a separate [online application](#) for each business entity that is required to report, such as any unregistered affiliates or subsidiaries.

If either you or an affiliate has prior contact with the Department, then all related entities are considered to have had prior contact.

## Marketplace Fairness

Beginning January 1, 2018, under the [Marketplace Fairness](#) law, businesses with \$10,000 or more in retail sales into Washington must either:

- Collect and send in sales tax on sales to Washington purchasers, or
- Follow the use tax notice and reporting requirements.

Note: all businesses with physical presence in Washington *must* collect and send in sales tax, including sales made for or by marketplace sellers.

### Other Marketplace Fairness penalties

If you are not collecting sales tax, we assume that you are complying with the use tax notice and reporting requirements.

If you are not registered or complying with the notice requirements **you may be subject to a \$20,000 penalty.**

This penalty *will not* be waived under the Penalty Reduction Program, and you must apply for a separate waiver. Contact [dormarketplacefairnesswaiverrequest@dor.wa.gov](mailto:dormarketplacefairnesswaiverrequest@dor.wa.gov) for more information.

### Questions?

Contact us at [DORMPFPenaltyReduction@dor.wa.gov](mailto:DORMPFPenaltyReduction@dor.wa.gov) or (800) 647-7706.

**[www.dor.wa.gov/PenaltyReduction](http://www.dor.wa.gov/PenaltyReduction)**